

**California Rep. John Campbell** (R-CA) has announced the introduction of the Defending American Taxpayers from Abusive Government Takings Act, filed in the U.S. House of Representatives, legislation to stop city and county governments from enacting profiteering schemes that seek to cash in on the plight of underwater homeowners through the arbitrary seizure of private home loans. Basing their claims on a rather untenable interpretation of eminent domain authority, local governments around the country have entered into agreements by which they seek to use federal taxpayer dollars to seize distressed home loans and fund unconventional loan modifications. The Defending American Taxpayers from Abusive Government Takings Act will preserve and uphold the rule of law, protect the taxpayer from abusive crony capitalism, defend against misguided wealth redistribution conspiracies, and facilitate the recovery of the American housing market.

"While the problem of underwater borrowers continues to slow the housing recovery, using eminent domain to take those mortgages is not a responsible answer," said David H. Stevens, president and CEO of the Mortgage Bankers Association (MBA). "Beyond the obvious legal issues of using eminent domain in such a radical way, the government seizing mortgages would set a precedent that will hurt those communities and borrowers it is most designed to help."

## **The Defending American Taxpayers From Abusive Government Takings Act:**

### **What it does ...**

▣ **Protects Taxpayers' Investment:** If the seizing of mortgage loans through eminent domain becomes widespread, Fannie Mae and Freddie Mac will sustain losses of up to 30 percent in their private-label residential mortgage-backed securities (RMBS) held in their portfolios. The legislation will limit the extent to which taxpayer dollars are put at risk going forward.

▣ **Defends America's Retirement Savings:** Current and future retirees own significant amounts of private-label RMBS through various investment funds, including those held by public and private pensions, 401(k)s, IRAs, and other savings vehicles. These Americans do not deserve their retirement savings being diminished to pay for the short-sighted objectives of local politicians, and the legislation will help to prevent these unnecessary losses going forward.

□ **Preserves the Rule of Law:** The strength of private contracts has helped to provide nearly \$14 trillion of mortgage loans to American homeowners. When local governments to use eminent domain to seize mortgages, they are breaking a private contract agreed to by homeowners and their lenders. This undermines confidence in our nation's housing finance system, making it harder and more expensive for future homeowners to borrow money. The legislation will ensure that homeowners and lenders can rely on existing contract law.

### How It Works

□ **Fannie Mae and Freddie Mac:** Fannie Mae and Freddie Mac's charters are amended to prohibit them from purchasing mortgage loans originating in counties where a municipality has seized a mortgage loan through the power of eminent domain within the previous 10 years.

□ **Federal Housing Administration (FHA):** The National Housing Act is amended to prohibit the Federal Housing Administration from guaranteeing mortgages originating in counties where a municipality has seized a mortgage loan through the power of eminent domain within the previous 10 years.

□ **Veterans Administration (VA):** The Veterans Administration is prohibited from making, insuring, or guaranteeing mortgage loans within counties where a municipality has seized a mortgage loan through the power of eminent domain within the previous 10 years.

**"There is no question that we need to take steps to assist American homeowners in distress," said Rep. Campbell. "These steps must not undermine rule of law, must not engage in corruptive and abusive practices, must protect the American taxpayer, and must not further degrade the housing market. The eminent domain programs in question are atrocious, corruptive, irresponsible and unconstitutional. We do need to fix the housing sector, but it must be done in a way that does not break the law and does not enrich undeserving, politically-connected entities in cities and counties with unsustainable budget deficits."**

Stevens said, "Congressman Campbell's bill, on top of limiting the future cost to taxpayers associated with the losses that would be incurred by Fannie Mae, Freddie Mac, FHA and the VA, sends a clear message to municipalities considering eminent domain—if you do this, there will be consequences for your constituents, consequences that will severely impact not only

potential home buyers and home owners, but the value of every home in your area."